

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**DIRECTORATE OF ETHICS AND INTEGRITY**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

## **TABLE OF CONTENTS**

Key Audit Matters .....	1
Responsibilities of the Accounting Officer for the Financial Statements .....	3
Auditor’s Responsibilities for the Audit of the Financial Statements.....	3
Other Reporting Responsibilities.....	5
REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION .....	5

## **LIST OF ACRONYMS**

<b>ACPP</b>	<b>Anti- Corruption Public Private Partnership</b>
<b>DEI</b>	Directorate of Ethics and Integrity
<b>DIPF</b>	District Integrity Promotion Forums
<b>F/Y</b>	Financial Year
<b>GOU</b>	Government of Uganda
<b>IEC</b>	Information, Education and Communication
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>ISSA</b>	International Standards on Auditing
<b>MDA</b>	Ministry, Department, and other Agencies
<b>PCC</b>	Pornography Control Committee
<b>PFMA</b>	Public Finance and Management Act
<b>PPDA</b>	Public Procurement and Disposal Act
<b>TAI</b>	Treasury Accounting Instructions
<b>UGX</b>	Uganda Shillings

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**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**REPORT ON THE FINANCIAL STATEMENTS**

**Opinion**

I have audited the accompanying financial statements of the Directorate of Ethics and Integrity (DEI) for the year ended 30<sup>th</sup> June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Directorate of Ethics and Integrity (DEI) for the year ended 30<sup>th</sup> June 2018 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2018.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement's section of my report. I am independent of the Directorate in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period.

I have determined that there are no key audit matters to communicate in my report.

### **Other Matters**

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Under Staffing**

Section (A-a) Paragraph 15(9) of the Uganda Public Service Standing Orders, 2010 mandates the Ministry of Public Service to determine the structure, terms and conditions of service in Government entities. Furthermore, good strategic planning requires an entity to carry out human Resource planning to ensure that an adequate number of qualified staff is in place to carry out the operational activities of an entity so as to enable achievement of strategic objectives.

Review of the approved staff establishment for the Directorate revealed that out of 118 positions, only 48 (41%) positions were filled leaving 70 (59%) positions vacant. It was observed that key positions such as Principal Assistant Secretary and Internal Auditor were not filled, since office bearers were either transferred or quit without replacement.

Staffing gaps negatively impact on the operations of the entity and stifles achievement of planned outputs since there are no adequate personnel to implement the planned activities.

The Accounting Officer acknowledged my observation and indicated that the Directorate is in consultation with the Ministry of Public Service and the Public Service Commission to review the current staffing structure and obtain clearance to fill the vacant positions.

I advised the Accounting Officer to expedite his dialogue with the responsible stakeholders so as to have the vacant positions filled to enable the Directorate to smoothly implement its mandate.

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the Accounting Officer for the Financial Statements**

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Directorate of Ethics.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2018, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Directorate's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Directorate of Ethics, and using the Financial Reporting Guide 2018 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Directorate's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Directorate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Directorate's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Directorate of Ethics to fail to deliver its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Reporting Responsibilities**

In accordance with Section 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements that;

- Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

### **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

In accordance with Section 13 of the NAA 2008, I have a responsibility to report material findings on the compliance of Directorate management with specific matters in key legislations. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Retrospective Approval of Procurements**

Sections 28(e) and 43(e) of the Reprint of the PPDA Act 2003, requires the Contracts Committee to approve procurements in a timely manner. During the year under review, I observed that contrary to this requirement, some of the procurement processes which

would have commenced earlier were effected after supply of goods and services worth UGX.43,800,000. I noted that retrospective approval of the procurement process is a sign of poor planning and inefficiencies in the procurement process.

The Accounting officer acknowledged and regretted the anomaly adding that he undertakes to avoid a repeat of such in future. I advised the Accounting Officer to comply with procurement regulations and avoid retrospective approvals which could compromise quality of goods and services and hence value for money.

- **Unauthorized Appointment of Local Contract Staff**

Section (A-h) Paragraph 11 of the Uganda Public Service Standing Orders, 2010 provides that a responsible officer shall not enter into any service local contract appointment or renewal without clearance of the Responsible Permanent Secretary. Section A-C Paragraph 3 further stipulates that appointment in the Public Service will be within the approved staff establishment.

It was observed that four staff on contract did not have the clearance of the responsible Permanent Secretary and were also appointed outside of the approved staff establishment. In the circumstances, the above individuals were irregularly recruited.

The Accounting Officer acknowledged my observation and indicated that management is in the process of reviewing the appointments in view of the fact that their contracts expire in December, 2018.

The Accounting Officer was advised to review the employment contracts for the staff in question and ensure that their engagements are streamlined in the event they are deemed to be critical to the Directorate.



John F.S. Muwanga  
**AUDITOR GENERAL**  
**KAMPALA**  
14<sup>th</sup> December 2018.